

NEWS RELEASE

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SHELBY COUNTY, ILLINOIS INSURANCE SALESMAN CONVICTED OF TAX EVASION, WIRE FRAUD AND MONEY LAUNDERING

URBANA, IL - Denny R. Patridge of Shelby County, Illinois was convicted today of tax evasion, wire fraud, and money laundering in U.S. District Court, as announced by Eileen O'Connor, Assistant Attorney General for the Justice Department's Tax Division; Jan Paul Miller, United States Attorney for the Central District of Illinois, and Nancy Jardini, Chief of the Internal Revenue Service (IRS) Criminal Investigation Division.

After nearly 13 days of evidence and approximately five and a half hours of deliberation, the jury convicted Denny R. Patridge, age 56, of evading the payment of his 1996 and 1997 personal income taxes; evading the assessment of his 1999 personal income taxes; two counts of wire fraud; and, two counts of money laundering. Patridge was acquitted on one charge of willfully filing a false tax return for 1998.

"People who develop and use schemes to hide income and assets from the IRS and who evade their tax obligations should expect to be prosecuted and convicted, and to serve time in federal prison," said Assistant Attorney General O'Connor.

U.S. Attorney Miller stated, "Today's jury verdict makes it clear that those who engage in "shell-games" to avoid paying their fair share in taxes will be held accountable."

"This conviction confirms that the IRS is determined to stop abusive tax schemes. Promoters as well as those who knowingly invest in the use of abusive trust schemes for the purpose of evading taxes will be pursued by the IRS," stated Nancy Jardini, Chief of the IRS Criminal Investigation Division. "We will continue to investigate and recommend for prosecution those individuals who willfully disobey the tax laws."

Denny Patridge operated an insurance business known as Patridge Insurance Services, Inc. from an office in his Strasburg home. The evidence presented at trial established that Patridge established "trusts" which he used to conceal his earnings, hide the origin of his income, deceive the Internal Revenue Service, and circumvent personal income taxes. Patridge placed funds in bank accounts which bore the names of his "trusts" and claimed on trust tax returns that the funds had been distributed to an offshore trust. At all times, however, Patridge retained full control over funds in the trust bank accounts and enjoyed the beneficial use of those funds, which made the income taxable to him personally.

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The trial evidence also established that Patridge did not report a substantial amount of his income on returns he filed for 1996 and 1997. In 2000, after the IRS notified Patridge that it had made a formal assessment of the 1996 and 1997 back taxes he owed, Patridge liquidated his investment accounts, set up an "offshore" account, and placed approximately \$200,000 in the offshore account. Patridge also evaded approximately \$19,523 in taxes for calendar year 1999 on taxable income of approximately \$76,796. He evaded those taxes by, among other things, transferring money he earned as income to a foreign account, concealing that money from the IRS, using the money to pay personal expenses, and failing to file an individual income tax return.

According to the evidence presented at trial, shortly after the IRS informed Patridge that a lien could be placed on his property if he failed to pay his 1996 and 1997 income taxes, Patridge set up a system to hide his assets from the IRS. He began to move his money offshore to an account that was under his control but not under his name. He established a new account at Edgar County Bank and Trust in Paris, Illinois, in his own name, through which funds could be directed offshore. In October 2000, he wired approximately \$200,000 in funds from the account at Edgar County Bank to an account at a bank in St. Kitts held in the name of Nevis American Trust Company, an entity which maintained the funds on behalf of Sultan Services, Ltd. Sultan was under Patridge's direction.

After he transferred \$200,000 to St. Kitts, Patridge then took steps to prevent the IRS from obtaining a first lien on his real estate. He caused the mortgage on his home in Strasburg to be recorded with the clerk of Shelby County, Illinois, with a \$100,000 "loan" from a corporation controlled by Patridge. In October 2000, Patridge wired \$100,000 from an offshore location to a corporation he controlled in the U.S. The purpose of the transfer was to provide the corporation with sufficient funds to "loan" Patridge \$100,000, using his home in Strasburg as security for the loan. Then, after Patridge transferred \$100,000 from offshore to the U.S. and established a false mortgage, he transferred the money back offshore and was able to use the money as he personally desired.

The evidence also showed that Patridge had obtained the sham trusts that he used to conceal assets and evade taxes from an entity known as Aegis, located in Palos Hills, Illinois, and that Patridge assisted in the sale of at least one Aegis trust package. Eight individuals associated with Aegis are currently under indictment in the Northern District of Illinois for various offenses related to the sale and promotion of these trusts. Three tax preparers associated with Aegis have also been indicted in the Northern District of Illinois, and two of those preparers have pleaded guilty.

Patridge also utilized a business, known occasionally as Offshore Consulting Services (OCS) and Laughlin, Inc., run by Terry Neal out of Portland, Oregon to set up a nominee company in St. Kitts, and Nevis and one in Reno, Nevada. At least three individuals associated with OCS and Laughlin, Inc., have been indicted in the District of Oregon.

Sentencing for Patridge is set for Monday, November 21, 2005, before U.S. District Judge Michael P. McCuskey in Urbana, Illinois.

The maximum statutory penalty for the offense of tax evasion is five years imprisonment and a fine of up to \$250,000. The maximum statutory penalty for the offenses of wire fraud and money laundering is up to 20 years in prison and fines of \$250,000 to \$500,000.

The charges were the result of an investigation by the Criminal Investigation Division of the Internal Revenue Service. The case was prosecuted by Hilary W. Frooman, Assistant U.S. Attorney in the Urbana Division, and Lea A. Carlisle, Trial Attorney, of the Justice Department's Tax Division.

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